

24 SEP 1985

MEMORANDUM FOR THE RECORD

FROM:

Chief, Retirement Division

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SUBJECT: Senate Governmental Affairs Committee Hearings on the
Stevens/Roth Supplemental Retirement Bill - S. 1527,
The Civil Service Pension Reform Act of 1985

1. On 9 September thru 11 September the Senate Governmental Affairs Committee chaired by Senator Stevens held hearings on the Stevens/Roth supplemental retirement bill.

2. Other committee members present included Senators Eagleton, Gore and Glenn. The Director of the Office of Personnel Management (OPM), Mrs. Constance Horner, led off the testimony by expressing the Administration's endorsement of the Stevens/Roth proposal with some stated exceptions. OPM's primary exception was to the 401k (tax deferred) type of thrift plan which Mrs. Horner said would be in opposition to the Administration plan to eliminate 401k programs by revising the tax laws. She did endorse the Stevens/Roth three-tiered approach of (1) a defined benefit plan (2) Social Security and (3) a thrift plan (other than 401k). In addition to the 401k issue, Mrs. Horner stated that special categories of employees, (law enforcement, fire fighters, etc.) require earlier retirement than allowed in Stevens' proposal, and believes the current systems best meet those needs i.e. age 50 with 20 years of service. The other major area of disagreement was the credit of unused sick leave towards retirement which the Administration wants to drop. Stevens commented it may be necessary to get all law enforcement groups together and come up with a comprehensive plan for all. He felt some concessions could be made.

3. Other testimony at the hearings, including the Department of State, was generally supportive of the Stevens/Roth bill. The State Department expressed a desire to be a part of the Stevens/Roth proposal, but detailed their need to retain age 50 retirement. In dialogue with State, the questioning focused on their current up-or-out system (number per year involved); average age and years of service for State retirees and how important was retirement as a recruitment incentive. State responded to the latter that it was not so important as a

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recruitment incentive as it was to retention of quality officers. Not surprisingly, the Union groups testifying were arguing for increased benefits to equate the cost of the new program with the current systems. Senator Stevens made it clear that the House of Representatives is yet to weight in and that when the bill goes to conference session there most likely would be some changes increasing portions of the benefits (unspecified).

4. Throughout the hearings Senator Gore focused on the total compensation issue pointing out that federal employees already lag behind private industry and that a decrease in retirement benefits would only widen that gap. Some of the more conservative groups such as the Chamber of Commerce argued that the retirement system was too liberal and that the answer to the compensation gap would be increased pay, not an overly costly retirement system.

5. This is just the beginning of the negotiations on the provisions of a retirement legislation; however, Senator Stevens restated his objective to get something enacted by the end of the year. He indicated a willingness to change some areas in his plan, stating that better benefits should be included for survivors. Mark up of the bill is scheduled for 26 September. We will continue to monitor this activity to best judge on how we should proceed with our own retirement legislation.

6. Copies of the formal testimony presented at the hearings are attached.

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